



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Report of the auditor-general to the North West provincial legislature and the council on the JB Marks Local Municipality

Report on the audit of the financial statements

Qualified opinion

1. I have audited the financial statements of the JB Marks Local Municipality set out on pages XX to XX, which comprise of the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the JB Marks Local Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DoRA).

Basis for qualified opinion

Consumer debtors

3. The municipality did not correctly calculate the allowance for impairment of consumer debtors as required by GRAP 104, *Financial instruments* as adequate provision was not made for long outstanding debtors based on the payment history of these debtors. As the municipality did not quantify the full extent of the misstatement, it was impracticable to determine the resultant overstatement of consumer debtors of R304 360 350 as disclosed in note 5 to the financial statements or the debt impairment expense of R86 014 983 as disclosed in note 33 to the financial statements.

Receivables from non-exchange transactions

4. I was unable to obtain sufficient appropriate audit evidence that the municipality correctly accounted for outstanding traffic fines included in receivables from non-exchange transactions as required by GRAP 104, *Financial instruments* and iGRAP1, *Applying the probability test on initial recognition of revenue* due to a lack of appropriate accounting records for these outstanding fines. I was unable to confirm these receivables by alternative means. Consequently, I was unable to determine whether any adjustment relating to receivables from non-exchange transactions of R127 420 725 (2017: R124 071 911) as disclosed in note 4 to the financial statements or the debt impairment expense of R86 014 983 (2017: R74 693 548) as disclosed in note 33 was necessary.



Payables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for trade creditors included in payables from exchange transactions due to a lack of appropriate accounting records. I was unable to confirm these payables by alternative means. Consequently, I was unable to determine whether any adjustment relating to payables from exchange transactions of R301 316 752 (2017: R283 271 030) as disclosed in note 14 to the financial statements was necessary.

Service charges

6. The municipality incorrectly recognised revenue from services provided to indigent debtors who are not liable to pay the municipality for services and incorrectly recognised revenue from interdepartmental charges based on own consumption of services by the municipality in contradiction of GRAP 9, *Revenue from exchange transactions*. As a result, service charges as disclosed in note 21 and general expense as disclosed in note 37 to the financial statements were overstated by R93 166 193 (2017: R68 686 962).

Expenditure

7. I was unable to obtain sufficient appropriate audit evidence for general expenses due to an inadequate document management system in the previous year to provide supporting documents for expenses incurred and a lack of information provided in the current year to confirm that goods and services paid for was in fact received by the municipality. I was unable to confirm these expenses by alternative means. Consequently, I was unable to determine whether any adjustment relating to general expenses of R215 008 622 (2017: R173 923 891) as disclosed in note 36 to the financial statements was necessary.

Irregular expenditure

8. Section 125 of the MFMA requires the disclosure of irregular expenditure incurred. The municipality incorrectly omitted the unresolved irregular expenditure incurred by the former Tlokwe City Council prior to 2014-15 of R392 625 450 whilst also including amounts in irregular expenditure for the current and previous years which does not meet the definition of irregular expenditure, resulting in irregular expenditure disclosed being understated by R359 123 134. In addition, I was unable to obtain sufficient appropriate audit evidence for the unresolved irregular expenditure incurred by the former Ventersdorp Local Municipality prior to 2014-15 or for some of the items included in the irregular expenditure for the current and previous years. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any further adjustment relating to irregular expenditure of R1 492 597 137 (2017: R1 187 223 293) as disclosed in note 44 to the financial statements was necessary.

Unauthorised expenditure

9. Section 125 of the MFMA requires the disclosure of unauthorised expenditure incurred. The unauthorised expenditure disclosed in note 46 was understated by R601 469 776 (2017: R417 389 485) due to unauthorised expenditure incurred and unresolved from previous years not being included as an opening balance in the note.

Cash flow statement

10. The municipality did not correctly take into account non-cash items in the calculation of net cash flows from operating and investing activities as required by GRAP 2, *Cash flow statements*. I was unable to quantify the resultant misstatements as it was impracticable to do so due to a lack of appropriate accounting records for these non-cash items. Consequently, I was unable to determine the adjustments required to the net cash flows from operating and investing activities in the cash flow statement and the notes thereto.

Prior period errors

11. The municipality did not disclose all corrections made as a result of prior period errors in the notes to the financial statements as required by GRAP 3, *Accounting policies, changes in accounting estimates and errors*. The nature and the amount of the correction for each financial statement item affected, and the amount of the correction at the beginning of the earliest previous period were not appropriately disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for some of the prior period errors disclosed. I was unable to confirm the prior period errors by alternative means. Consequently, I was unable to determine whether any further adjustment was necessary to the prior period errors disclosure in note 49 to the financial statements.

Context for the opinion

12. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
13. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
14. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of matters

15. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Fruitless and wasteful expenditure

16. As disclosed in note 45 to the financial statements, fruitless and wasteful expenditure of R3 652 808 was incurred in the current year and fruitless and wasteful expenditure of R70 894 151 from prior years have not yet been dealt with in accordance with section 32 of the MFMA.

Material losses

17. As disclosed in note 50 to the financial statements, material losses of R37 323 771 (2017: R45 772 246) and R5 185 072 (2017: R17 112 245) was incurred as a result of electricity and water distribution losses.

Other matters

18. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

19. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Unaudited supplementary schedule

20. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

21. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA standards of GRAP and the requirements of the MFMA and the DoRA and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
22. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the or to cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

23. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
24. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

25. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected key performance areas presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
26. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
27. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected key performance areas presented in the annual performance report of the municipality for the year ended 30 June 2018:

Key performance areas	Pages in the annual performance report
KPA 3 – Basic Service Delivery	XX – XX

28. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance



planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

29. The material findings in respect of the usefulness and reliability of the selected key performance area are as follows:

KPA 3 – Basic Service Delivery

Various indicators: Reported targets not consistent with planned targets

30. The targets approved in the service delivery and budget implementation plan (SDBIP) did not agree with the targets reported in the annual performance report for the following indicators. In addition, these changes were done without the necessary approval:

Indicator	Planned target	Reported target
Number of 2.5 Ton Vehicles with Ladders for Electricity Section procured for (Ward 1-34) by June 2018	2 x 2.5 Ton Vehicles with Ladders for Electricity Section procured for (Ward 1-34) by June 2018	0 x 2.5 Ton Vehicles with Ladders for Electricity Section procured for (Ward 1-34) by June 2018
Number of Cherry Picker Vehicles for Electricity Section procured for (Ward 1-34) by June 2018	1 Cherry Picker Vehicles for Electricity Section procured for (Ward 1-34) by June 2018	0 Cherry Picker Vehicles for Electricity Section procured for (Ward 1-34) by June 2018

Various indicators: Planned indicators not reported on

31. The following indicators and targets approved in the SDBIP were not reported in the annual performance report. In addition, these changes were done without the necessary approval:

Planned indicator	Planned target
Number of households connections of water, network pipelines, sewer mains, main hole, top structures/toilets constructed in Ikageng Ext 6 by June 2018	185 of households connections of water, network pipelines, sewer mains, main hole, top structures/toilets constructed in Ikageng Ext 6 by June 2018
% Bulk Water Supply constructed in Boikhotsong by June 2018	100% Bulk Water Supply constructed in Boikhotsong by June 2018

Various indicators: Not measurable or reliable

32. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement for the following indicators. This was due to indicators not being well defined as the planned targets were not specific in clearly identifying the nature and required level of performance or measurable and due to a lack of technical indicator descriptions and proper performance management systems that predetermined how the achievements would be measured, monitored and reported. I was unable to confirm the reported achievements of these indicators by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements:

Indicator	Target	Reported achievement
% Hydraulic rescue equipment's for Firefighting unit procured by June 2018	100% Hydraulic rescue equipment's for Firefighting unit procured by June 2018	100%

Indicator	Target	Reported achievement
Metres of Road Resealed on the N12 (Ward 4, 8, 9, 12, 15, 18, 23, 24, 27) by Sep 2017	1200 Metres of Road Resealed on the N12 (Ward 4, 6,8,9,12,15,18,23,24,27) by Sep 2017	1200 metres of road resealed

Various indicators: Reported achievements not reliable and measures taken not disclosed

33. The reported achievements for the following indicators did not agree with the supporting evidence provided. In addition, the measures taken to improve performance were not included in the annual performance report:

Indicator	Reported achievement	Audit value
Number of clarifiers upgraded & filter house's replaced in Water Treatment Works (All Wards) in Tlokwe Region by June 2018	0 clarifiers upgraded & 1 filter house's replaced	0
Number of households provided with Bulk Water Supply in Rysmierbult (Ward 28) by June 2018	158 households provided with Bulk Water Supply	0

Various indicators: Measures taken to improve performance not disclosed

34. The measures taken to improve performance against planned targets for the following indicators were not included in the annual performance report:

Indicator	Target	Reported achievement
Number of Energy Efficiency Street Lights installed in the greater NW 405 Municipal area (Wards 4; 6; 8; 9; 12; 13; 14; 15; 18; 23; 24; 27) by June 2018	1200 street lights	810 street lights
% of Construction of Disaster Management Centre Phase 1 (Ground and 1st Floor) by June 2018	100%	8%
Number of Smart Metering meters in the Toevlug, Ext 2,3,5 Tshing, Boikhutso & Boikhutsong installed by June 2018	800 meters	0
Km of roads & storm water constructed in All Wards within the JB Marks LM according to ward needs list (Ward 1-34) by June 2018	1km	0
Number of High Mast Lights installed in the Municipal areas (Wards 1; 4; 6; 8; 9; 10; 11; 12; 13; 14; 16; 17; 18; 19; 20; 21; 26; 27; 28; 29; 30; 31; 32; 33; 34) by June 2018	7 high mast lights	0
Number of main substation electricity load reduced from 88/66 KV to 132/11 KV in the Tlokwe Region (Wards: 3; 4; 5; 6; 7; 11; 12; 13; 15; 21; 22; 23; 24; 25) by June 2018	Reduced electricity load at 0 main substations from 88/66 KV to 132/11 KV in the Tlokwe Region	Reduced electricity load at 0 main substations from 88/66 KV to 132/11 KV in the Tlokwe Region

Various indicators: Reported achievements not reliable

35. The reported achievements for the following indicators did not agree with the supporting evidence provided:

Indicator	Reported achievement	Audit value
Number of households upgraded sewer in Ikageng Proper (Ward 14) by June 2018	460 households	250 households
% of Replacement of non-specified materials in dolomite areas with new SANS specification standards according to tender document specifications in Ikageng, Mohadin & Promosa by June 2018	100%	0%
Km internal Road construction in Appeldraai - Phase 2 (Ward 32) by June 2018	1.5km	0km
% of designs for Road and Storm Water Phase 1 construction at Ext 7 Ikageng (Ward 20,21,26) by Dec 2017	100%	0%
Number of Secondary Polishing Plant (no 7) and Mixer (no 4) of Balancing Plant upgraded at the Tlokwe region WWTW by June 2018	0 Secondary Polishing Plant (no 7) and 1 Mixer (no 4)	0
% of Emergency replacement of non-repairable pumps, motors, gearboxes, aerators, impellers at WTW & WWTW as required for functioning of plants to comply with blue and green drop specifications (ward 1-34) by June 2018	100%	86%

Various indicators: Not verifiable and relevant

36. I was unable to obtain sufficient appropriate audit evidence to support the reported achievement for the following indicators. This was due to the systems and processes that enable reliable reporting of the achievement against the targets not being adequately designed, a lack of technical indicator descriptions and the indicators and targets not relating logically and directly to the municipality's performance for the year under review. I was unable to confirm the reported achievements of these indicators by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievements:

Indicator	Target and reported achievement
% of 70472 Households with Access to Basic Level of Electricity in the JB Marks Areas by June 2018	100% of 70 472 Households with Access to Basic Level of Electricity in the JB Marks Areas by June 2018
% of 50886 Households with Access to Basic Level of Sanitation in the JB Marks Areas by June 2018	100% of 50886 Households with Access to Basic Level of Sanitation in the JB Marks Areas by June 2018
% of 67755 Households with Access to Basic Level of Water in the JB Marks Areas by June 2018	100% of 67755 Households with Access to Basic Level of Water in the JB Marks Areas by June 2018

% of Disaster Management Building upgraded in Tlokwe by June 2018

37. This indicator and the related target of "100% of Disaster Management Building upgraded in Tlokwe by June 2018" was reported in the annual performance report but not included in the SDBIP. In addition, this change was done without the necessary approval.

Number of Crane Trucks procured for Electricity Section (Ward 1-34) by June 2018

38. The reported measures taken to improve performance against the planned target, did not agree to the supporting evidence provided. The annual performance report indicate that the budget for the project was adjusted to R0 and that the project will be planned for the next financial year, however the budget for the indicator was not adjusted during the year as part of the mid-year review process.

Number of household's main outfall sewer & Pump Station Upgraded in Promosa Ext 4 (Ward 17) by June 2017

39. The indicator and target do not relate logically and directly to the municipality's performance for the year under review as the indicator was not well defined due to the target date relating to the previous year.

Number of household connections of water network pipelines, sewer mains, main hole, Top structure/toilets constructed in Ikageng Ext 11 by June 2017

40. The indicator and target do not relate logically and directly to the municipality's performance for the year under review as the indicator was not well defined due to the target date relating to the previous year. In addition, the reported achievement of 55 households do not agree with the supporting evidence provided which indicate 0 households.

km Flood line canal constructed along the N12 according to tender construction programme by June 2017

41. The indicator and target do not relate logically and directly to the municipality's performance for the year under review as the indicator was not well defined due to the target date relating to the previous year. In addition, the measures taken to improve performance were not included in the annual performance report.

Other matter

42. I draw attention to the matter below.

Achievement of planned targets

43. Refer to the annual performance report on pages XX to XX for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 30 to 41 of this report.

Report on audit of compliance with legislation

Introduction and scope

44. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
45. The material findings on compliance with specific matters in key legislation are as follows:

Annual financial statements and annual report

46. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a qualified audit opinion
47. The council failed to adopt an oversight report containing the council's comments on the annual report within the prescribed timelines, as required by section 129(1) of the MFMA.
48. The oversight report adopted by the council on the 2016-17 annual report was not made public, as required by section 129(3) of the MFMA.

Strategic planning and performance management

49. A performance management system was not adopted, as required by regulation 8 of the Municipal Planning and Performance Management Regulations.

Expenditure management

50. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
51. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.
52. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The irregular expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by competitive bidding processes that were not followed.
53. Reasonable steps were not taken to prevent fruitless and wasteful expenditure of R3 652 808, as disclosed in note 45 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by not paying Eskom on time.
54. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The unauthorised expenditure disclosed does not reflect the full extent of the unauthorised expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed unauthorised expenditure was caused by overspending of the budget.
55. Unforeseen and unavoidable expenditure incurred by the municipality was not approved by the mayor as required by section 29(1) of the MFMA.
56. The total unforeseen and unavoidable expenditure incurred exceeded R15 million, in contravention of regulation 72 of the Municipal Budget and Reporting Regulations.
57. An adequate management, accounting and information system was not in place which accounted for creditors, as required by section 65(2)(b) of the MFMA.

Procurement and contract management

58. Some quotations were accepted from and contracts were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was also reported in the prior year.

59. Some quotations were accepted from and contracts were awarded to bidders whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43. Similar non-compliance was also reported in the prior year.
60. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulation 22(1) and 22(2).
61. Some of the competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2). Similar non-compliance was also reported in the prior year.
62. The preference point system was not applied some of the procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act. Similar non-compliance was also reported in the prior year.
63. Some of the goods and services with a transaction value above R200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1). Similar non-compliance was also reported in the prior year.
64. Sufficient appropriate audit evidence could not be obtained that persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality disclosed such interests as required by SCM regulation 46(2)(e) and the code of conduct for staff members issued in terms of the Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA).

Liability management

65. An adequate management, accounting and information system which accounts for liabilities was not in place, as required by section 63(2)(a) of the MFMA.
66. An effective system of internal control for liabilities including a liability register was not in place, as required by section 63(2)(c) of the MFMA

Consequence management

67. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

Human resource management

68. Appropriate systems and procedures to monitor, measure and evaluate performance of staff were not developed and adopted, as required by section 67(1)(d) of the MSA.

Other information

69. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
70. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
71. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
72. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

73. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.
- Leadership did not exercise oversight and decisive actions were not taken to address risks to ensure that complete and accurate financial reporting and related internal controls are implemented. These resulted in qualifications of the financial statements, material findings on performance information and non-compliance with laws and regulations. Furthermore, the accounting officer position became vacant during the year and the municipality continued to rely on the work of consultants without the transfer of skills and capacitating of the finance department.
 - The municipality did not implement a proper record keeping system to ensure that complete, relevant and accurate information is accessible and available to support financial, performance reporting and compliance with laws and regulations. Internal controls over the preparation of financial statements were not adequate to prevent material misstatements.
 - The audit committee did not have adequate time to properly review the financial statements and performance report before submission for audit. The internal audit unit is under capacitated and was unable to review the financial statements and annual performance report in order to add value prior to the audit process.

Other reports

74. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

75. The Directorate for Priority Crime Investigation was investigating the transfer of R1.7 million from the municipality's bank account without approval during the 2017-18 financial year. The investigation was still ongoing at the date of this report.

Auditor-General

Rustenburg

30 November 2018



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected key performance areas and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a municipality to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.